

Economics & Education

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CC-2: Historical, Political and Economic
Perspectives of Education

M. Ed., Semester-I

Role of Economics in Social System

- ▶ **Economics-the oldest of arts, newest of sciences and queen of all social sciences.**
- ▶ **Study of mankind in the ordinary business of life; it examines that part of individuals and social actions which is most closely connected with use of material requirements of wellbeing.-Alfred Marshall**
- ▶ **Scarcity is the central theme of economics.**
- ▶ **Growth is the function of economics.**
- ▶ **It analyses the cost and benefits of improving patterns of resources allocation.-Prof. Samuelson(Nobel laurette)**

Micro economics of education or What does economics study about?

- ▶ Micro economics deals with aggregate problems affecting economy at large;
- ▶ Micro economics focusses on disaggregated problems specific to individual units or subsectors of the economy.
- ▶ MiE Concerned with: Detail of person's economic existence, buying goods, pay rate, decision on family size, Job chooses, Type of education wishes
- ▶ MAE-focusses on factors concerning aggregate consumption, patterns, job search, labour market knowledge, wage levels, population size and trends, and national demand of educational services

Economics of Education

- ▶ Concerns with both micro and macro economics
- ▶ Some topics:
 - ▶ Investment, financing,
 - ▶ productivity, utilization,
 - ▶ national income statistics,
 - ▶ application of economic growth theories,
 - ▶ Supply and demand and production

Relation between Economics and Education

- ▶ Role of economics in expansion and diversion of education serve the national goal better;
- ▶ Economics status of family determines the level of education that its children could get;
- ▶ The sociopolitical objectives and resources available with the govt. decide about the quality and quantity of education;
- ▶ Educational level of country influences its economic philosophy, productivity and its national income.

Economics of Education

- ▶ Economics of education is that branch of study, which seeks to establish a causal and reasonable relationship between education and economic development. -j.l.Azad
- ▶ Education as a counter balance to the inhuman results of division of labor. If society wants to reduce the gap between work and leisure, it must view education not simple as preparation of life , but as a replica of life.
- ▶ The economist urges the educationist to evolve new and better techniques in policy formulation and implementation.
- ▶ Economics of education is the study of education from the economics point of view. Here usually the criteria are:
 1. Economy in resources and time
 2. Efficiency of the educational system
 3. Effectiveness in achieving national objectives & social & *economic development*

How does Economic Analysis of education helps Indian Educator?

- ▶ Literacy of country.....
- ▶ Women literacy.....
- ▶ SC literacy.....
- ▶ ST literacy.....
- ▶ Free and compulsory education/ Article.....45.....21
- ▶ EBC.....
- ▶ Per capita income/day
- ▶ So, there is every need to have an economical analysis of the educational system to make more sensitive to universal compulsory education, qualitative improvement, special attention to neglected groups and overall performance.

Education is not purely Economic activity, Why?

- ▶ Education is 4th basic need
- ▶ Education is both consumption and investment(private & public)
- ▶ Educational investment differs from other forms of investment(skills and talents can not be sold like other products)
- ▶ The human character of educational capital is different from others forms of real capital in the sense that education makes people better able to invent and innovate in the field of technology, political life, economic structure, social organization and culture. This will affect the trend of technology and production in unique way, when compared with investment in other factors.
- ▶ Indirect benefits is large.

Sources of Information in the field of Economics of Education

▶ **Institution:** NUEPA, ICSSR

▶ **Journal:**

- ▶ Yojana(bimonthly)
- ▶ Perspectives in education(quarterly)
- ▶ NUEPA JOURNAL(Quarterly)
- ▶ Courier(monthly-UNESCO)

BOOKS:

- ▶ Papers edited by BLAUG,SCHULTZ,H.N. PANDIT and others
- ▶ BANGHART,ALBERT & TRULO: Educational planning
- ▶ HARBISON & MYRES; Education, manpower and economic development
- ▶ Rao, V.K.R. Education and HRD
- ▶ SHEEHAN: The economics of education
- ▶ Venkatsubramanian, K.: Education and development in India

Reports and Development:

- ▶ Learning to be.....UNESCO
- ▶ Indian Education Commission(1966), NPE(1986,92)

Impact of Globalization in Education and Economy

- ▶ Economic Level on Globalization
- ▶ Political issues on Globalization
- ▶ Conflict and consensus perspective on the role of education
- ▶ Globalization and Its Impact on Education
- ▶ It is affecting employment it touches upon one of the primary traditional goals of education, preparation for work.
- ▶ Schools will need to reconsider the mission in the light of changing job markets in the Post- Fordist work environment; new skills and the flexibility to adapt to changing jobs demands for that matter, changing jobs over a lifetime; and dealing with an increasingly international labor pool.

Economic Effect

- ▶ The broader economic effects of globalization tend to force national educational policies into a neo-liberal framework that emphasizes lower taxes, shrinking the state sector and “doing more with less.
- ▶ Promoting market approaches to school choice; rational management of school organization; performance assessment and deregulation in order to encourage new provider (including online providers) of educational services.
- ▶ Globalization will continue to be a vector of worldwide.
- ▶ We need a major research agenda to examine how educational most broadly defined can best prepare children to engage in a global world.

- ▶ There has been the constraint on national/ state policy making posed by external demands from transnational institutions.
- ▶ There has also been a growing internationalization of Global conflict, crime, terrorism and environment issue.
- ▶ Educational Institutions may have crucial role to play in addressing these problems and the complex network of intended and unintended human consequences that have followed from the growth of global corporation, global mobility, global communication and global expansion.
- ▶ Educational System worldwide continue to mimicking and often mechanically copying from each other and borrowing curricula, teaching methods and assessment tests,.
- ▶ The Forces of Globalization are: a. Taxing Youth b. Families c. Educational System
- ▶ All social systems are predicated on the need to impart values, morals skills and competencies to the next generations.

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- ▶ The lives and experiences of Youth growing up today will be linked:
 - ▶ a. Economic Realities
 - ▶ b. Social Processes
 - ▶ c. Technological
 - ▶ d. Media Innovations
 - ▶ e. Cultural Flows
- ▶ Education will need both rethinking and restructuring if schooling is to best prepare the children and youth of the world to engage globalization's new challenges, opportunities and costs.

Influence

- ▶ Globalization has a wide ranging potential to influence all sector of development.
- ▶ The Impact of Globalization and the manner in which the system should respond to the needs of globalization would require to be studied basically under two broad heads as follows:
 - ▶ 1. The needed reforms within the educational systems
 - ▶ 2. The fall out of globalization
- ▶ 1.Content of Education
- ▶ 2.The Fall Out of Globalization What are these need reforms of education?

Curriculum Up-gradation, productive, internalisation

- ▶ The modern advances in information technology have revolutionized among others, the content of knowledge and the processes of educational transaction.
- ▶ Productivity Orientation - The basic objective of globalization is to enhance productivity and to make the educational system an instrument in preparing students who can compete in the world markets as productive members of society
- ▶ Internationalization of Education - Implicit in the system of globalization is the inevitability of the internationalization of the educational systems, particularly at the higher education stage.
- ▶ This has become a worldwide phenomena because of the entry of the World Trade Organization (WTO) and the inclusion of educational services under the General Agreement on Trade and Services (GATS) which has given a boost to the internationalization of higher education.

. Finance- related issues

- ▶ In order to be a part of global configuration, the requirement of funds for social services including education will increase manifold.
- ▶ Privatization of secondary and higher education - As a corollary to the suggestion about reducing public investment in secondary and higher education, a plea has been made over these sectors to private bodies.

Costs and Benefits of education

- ▶ This involves the in-umeration, comparison and evaluation of costs and benefits.
- ▶ Started in USA
- ▶ The cost benefit ratio B/C
- ▶ T =time period, r =rate of discount, n =lost time period, B_t =benefit streams
 C_t =cost streams of the individual decisions, PDF =present discounted value
- ▶ Higher is B/C the better is the investment
- ▶ “A practical way of assessing the desirability of the projects where it is important to take a long view in the sense of looking at repercussions in the further, as well as the nearer future. And a wide view, it impels the in-umeration and evaluation of all the relevant costs and benefits”.-Prest and Turre
- ▶ Cost benefit analysis is helpful in making correct investment decisions to achieve optimum resources allocation. It achieves maximum benefits in educational planning. In other words this implies the weighing of returns(benefits) against cost involved in a project.

uses

- ▶ CBA is the basis of the whole process of decision making.
- ▶ Two types of benefits, direct and indirect
- ▶ Directly obtained from the project, that is direct benefit.
- ▶ Indirect-river valley project for irrigation or navigation

Identification

- ▶ Educational investment costs: direct and indirect cost
- ▶ Direct Cost: Tuition fee, books, transportation
- ▶ Social direct cost-annual costs per student; in primary and secondary school.
- ▶ Indirect cost: apportionate cost of students, 75% of the private cost of college students

Return to education

- ▶ Direct financial return-Annual earning of college graduate differs from school leavers
- ▶ Indirect monetary benefits-social returns and others
- ▶ Non-monetary returns-contribute a lot towards social development process

Type of Expenditure

- ▶ Institutional costs; amount spent for building, equipment, library,, lab., playground etc.
 - ▶ Capital cost-non-recurring cost like building, hostels, laboratories etc.
 - ▶ Equipment cost-expenditure for stationary, lab.,etc.
 - ▶ Non-divisible cost- salaries and allowances to establishment staff, electric charges etc.
- ▶ Divisible operating cost-examination cost, salary of teachers
- ▶ Private cost- expenses by parent to educate their children; books, stationary, hostel charges, transportation etc.

Limitation of CBA

- ▶ People are not solely motivated by financial considerations;
- ▶ Social rate of return have ambiguous policy implication because educational authorities have other goals;
- ▶ Direct benefits of education are less important than indirect benefit;
- ▶ Existing earning differentials in favour of educated people reflect not differences in their contribution to productive capacity, but rather long established social conventions;
- ▶ The calculation depends on projection of future trends from cross section evidences. Historical improvement in Quality of education is neglected
- ▶ Pure effects of education on earning can not be satisfactorily isolated. Educational earning and individual motivation are correlated.
- ▶ CBA does not offer guidance on the quality and type of training appropriate for service in sectors of the economy-Charless, S. Benson

CBA

- ▶ CBA is concerned with enumeration, comparison and evaluation of cost and benefits to the individual as well as the society
- ▶ Direct-higher income, better status, social recognition,
- ▶ Indirect-better social order, development of culture, modernization, effective participation in democracy etc.
- ▶ Benefit of the downtrodden, and social welfare

Cost Effectiveness

- ▶ CE evaluation takes into account the economic and non-economic benefits. Quantification of cost effectiveness is very difficult.
- ▶ Fulfilment of objectives of the scheme
- ▶ Ex-welfare scheme, school meets, scholarships, awards, incentives
- ▶ Construction of dams, shift system, correspondence course, AV aids

Educational costs

- ▶ Private cost
- ▶ Social cost
- ▶ Opportunity cost-free lunch, books, uniforms,
- ▶ Unit cost-represents the average cost of one unit in a system. In education unit may be a student, a teacher, a section, a school etc
- ▶ $U = (1+r)/t$

T=pupil-teacher ratio r=ratio of non-teacher cost to teacher's salary=average annual salary

It is useful in educational planning and expansion and comparing the cost of education at different levels. It shows efficiency of edu institutions in terms of productivity and allocation of resources

Secondary and higher education, poverty and development

- ▶ It is a general assumption among policy-makers that what is important for economic growth and development are literacy, basic and, at best, secondary education rather than higher education.
- ▶ Estimates on internal return rates support this assumption, and resource scarcity exacerbates the problem. As a result, higher education does not figure on the poverty-reduction agenda of many developing countries, international aid agencies, nor is it reflected in the Millennium Development Goals.
- ▶ Yet literacy skills and basic education rarely provide employment skills that can ensure a reasonable salary or standard of living.
- ▶ Most literacy and basic education programmes are not imparting sustainable skills or ensuring that children do not relapse into illiteracy.
- ▶ Basic education rarely serves as a meaningful level of education and even if it imparts some valuable attributes, in terms of attitude and skills, they are not sufficient.

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- ▶ Although it helps reduce poverty, it only raises the poor just above the poverty line and leaves them in danger of falling below the poverty line again at any time.
- ▶ On the other hand, secondary education and, more importantly, higher education consolidate the gains received from basic education.
- ▶ Secondary and higher education provide the skills needed in the labour market; and it is higher education that can keep the people above poverty line with no risk of falling back into either educational or income poverty.
- ▶ By increasing the social, occupational and economic levels of households, higher education takes people to well above poverty line.
- ▶ It forms a 'human capability' and a 'human freedom'- which helps the individual attain other 'freedoms'

- ▶ higher education enhances the earnings of individuals and contributes to economic development;
- ▶ higher education makes a significant contribution to reduction in absolute as well as relative poverty levels. theories of Amartya Sen
- ▶ In short, without negating the importance of basic education, higher education not only effectively contributes to, but also constitutes an integral part of economic growth and development. The limited research evidence available generally assumes that higher education is not necessary for alleviating poverty. However, most of that research concentrates on analyzing
 - ▶ a) the role of literacy and basic education in development- economic growth, poverty reduction and social development, and
 - ▶ b) the role of higher education in economic growth, not in poverty reduction and social development. Recent analyses of Indian and cross-nation data on higher education, economic growth and development
- ▶ using poverty and human development indicators such as infant mortality and life expectancy, clearly shows that higher education plays a significant role in development. Through a regression analysis of inter-State data and a large cross-section of developing and developed countries, the analysis found a strong correlation between higher education and development. It was empirically shown that:

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- ▶ higher education is also related to human development indicators which reflect other dimensions of poverty, human poverty, as it significantly reduces infant mortality and increases life expectancy.
- ▶ In spite of this, development programmed in many developing countries still continue to focus exclusively on basic education, seriously neglecting higher education.
- ▶ Only strong and vibrant education systems, based on sound approaches can play an instrumental role in development.
- ▶ Sustainable socio-economic development implies that these systems focus on human capital as well as human development, on economic growth as well as poverty reduction, on modern technologies as well as traditional methods, and on global as well as local concerns.
- ▶ It is the role of policy makers to design policies that not only provide for basic education, but which also help to strengthen and redynamise higher education. This will benefit society at large and have a positive effect on economic growth and development.
- ▶ Post-elementary education, poverty and development in India and Role of post-basic education in alleviation of poverty and development . Indian economist awarded the Nobel Prize in 1998, famous for his works on famine, human development theories, the basic mechanisms of poverty and political

Financing Higher education system

- The debate surrounding around the issues with financing higher education is primarily because ‘education’ is considered to be a quasi-public good. It is a public good because the benefits out of it largely affect society through human capital formation and knowledge. However, it is also considered to be a private good because it provides a platform for the individual to generate regular income for themselves through their skills. This theoretical divide in the concept of education has led to policy makers and practitioners have different perspectives about financing higher education.
- Historically, the financial burden of education was borne by both State and Central Government. But, as pointed out previously, the amount of expenditure spent on education sector by the Government has been reducing over the years, which has created a huge investment gap. This trend in public expenditure has serious policy implications. Firstly, the reduction in public expenditure has forced institutions, both public and

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- ▶ A serious implication of increase in cost of higher education and the imbalance in the fee structure of private and public education is the fact that it deepens the development divide. Obtaining higher education is typically coupled with the ability to earn higher income in future. Therefore, increase in cost of higher education might not be problematic if there is a structured credit market in place which bridges the gap between increase in cost and people pursuing higher education. However, credit markets in the education sector are fairly narrow in the sense that credit is given to only those belonging to the middle or high income families, thereby neglecting the base of pyramid class and creating inequality. This is the primary reason why government's role is important in financing higher education.
- ▶ University Grants Commission (UGC) 2008 report suggests that while developed countries are able to link hike in cost to per student to greater productivity and quality delivery of higher education, developing countries like India are not able to do so due to various system failures. This creates further resistance in change in cases of hike in tuition fee, etc.
- ▶ Studies suggest that a major issue revolving around public expenditure, is the 'crowding out' public financing of higher education for elementary education. Both State and Central Government have invested a lot of money in elementary education programs. Government has devoted huge amount of money in promoting elementary education by investing in

- ▶ The four major objectives of higher education are: access and equity, relevance, quality and excellence and research (UGC Report, 2008).
- ▶ However it also lags behind in terms of research.
- ▶ Some of the best institutions of higher education in India do not even fall under the top 100 Universities category (Times Higher Education Ranking, 2012-13).
- ▶ This again stems from the fact that there is hardly any public spending in research and development in India.
- ▶ According to The World Bank estimates, 2007, India spent only 0.76% of its GDP on research and development. This number is very small when compared to other countries (1.40%-China, 2.7%-US and 1.8%-UK).
- ▶ To summarise, declining public expenditure in the education sector, increasing cost per student without the support from credit markets, and dominance of private sector in higher education worsens the problems of finance in higher education.
- ▶ we argue that Government of India (GOI) should play a pivotal role in financing higher education, on the other hand, heavy public subsidization of higher education could lead to unequal distribution of welfare, since public expenditure on higher education is made out of general taxes, which essentially means transfer of resources from poor to rich.
- ▶ Therefore, an ideal situation is that of a public-private partnership, where Government acts as an anchor to the sector and aims to provide equitable access to education.

ppp

- ▶ India currently has 8.1 million children
- ▶ who are still out of school despite the various initiatives undertaken by the government. Over the past decade the Sarva Shiksha Abhiyan programme launched in 2001 has brought over 60 million additional children into school making it possible for the country to achieve near universal enrolment and gender parity.
- ▶ Despite these efforts, there are still a lot of disparities like poor quality of education, gender disparities and dropout rates that exist in the educational system of the country.
- ▶ Basic primary education is generally perceived as public sector's responsibility, which makes any shared involvement of public and private sector a highly sensitive issue.
- ▶ Transfer of user fees to private sector providers and the management of public education institutions by the private sector are areas that are perceived to be very sensitive in the pretext to claim that governments are abandoning its core task of providing public education.
- ▶ In this realm, **Public Private Partnership** is a model in Education that has gained popularity over the past few years in India. The model has come to benefit the state, the non state actor and most importantly the children.

- ▶ The key members of 7 different organizations, namely The Akshay Patra Foundation (Mid day Meal Scheme), Azim Premji Foundation, Bharti Foundation (Adarsh School Punjab), Akshara foundation, Shikshana, Dream a Dream and Chippersage were experimented.
- ▶ There are many different PPP typologies that are used for defining existing models; often these typologies cross cut each other.
- ▶ One way to categorize PPP models is basis the service delivered (Management Services and Facility Availability) and another (closely intertwining) classification is basis the type of service given (example: Whole School Management, Product Development, Support Services, Coordination and Services Delivery).
- ▶ An example of cross cutting classification is 'Rajasthan Education Initiative' which is a whole school management model where the organization provides management, professional and support services.
- ▶ In India the different areas in education which require a PPP model are improving the study environment, enhancing the quality of education and creating an enabling innovation model.
- ▶ Government brings in advantages like large geographic access, regulatory power and a wide pool of resources (funds, people and technical).

- ▶ the private entity brings technical expertise, efficient operational style and a result oriented methodology.
- ▶ The key factors are recognition of a mutual need for partnership, respect between partners, evaluation and research of the programme's impact, self sustainability of the programmes and advocacy at an organizational level.
- ▶ There are two types of challenges faced by while working with a PPP model; implementation challenges and environmental challenges.
- ▶ The implementation challenges include the financial disbursement bottlenecks and the scarcity of quality human resource.
- ▶ The existing bureaucratic challenges resulting in delayed disbursements leading to operational difficulties at the ground level.
- ▶ An absence of clearly defined government policies for public private partnership is another major challenge faced by the private partners.
- ▶ Many organizations feel that the government curtails its responsibility and role in the model to that of being an access provider; beyond this the onus is on the private entity to improve, enhance and provide results.
- ▶ **PPP definitely can be an important part of the overall strategy to achieve quality at scale. Though most of the organizations interviewed see this as a positivist proposition, however there were detractors as well.**

- ▶ Small and new organizations see this partnership as a hindrance in delivering effective results. Majority of the organizations interviewed agreed that an efficiently designed PPP is a win-win proposition for the government, implementers and donors.
- ▶ Government can use PPP model to provide quality education to children belonging to the marginalized section. However for a successful public private partnership the government should develop clear policies and guidelines to encourage private sector involvement in education to compliment the efforts being made by public sector in achieving the Millennium Development Goals.
- ▶ PPP also helps the government to raise and improve the quality of the public system of education; thereby garnering greater appreciation from the public.
- ▶ An efficient monitoring and tracking system that shall help overcome the existing challenges of institutional and bureaucratic delays. The entire process of partnership building should be transparent from the beginning; starting from the process of the selection, operational and programmatic framework, clear financial partnership terms to the outputs expected.
- ▶ Thus both the government and the providers have a common intent of improving the quality of education in the India. The need of the hour is to incorporate each other's vision and approach and reckon the need to partner together to improve the public education system in India.